



GMS Flash Alert

2017-063 | April 7, 2017



Mexico - Decree Offers Tax Incentive Program for Repatriating Resources

A recent Mexican government Decree¹, issued on January 18, 2017, provides tax incentives for taxpayers who bring back to Mexico investments and related income (hereinafter "Resources") held outside of Mexico up to December 31, 2016.

This Decree applies to individuals and legal entities resident in Mexico (or residents abroad with permanent establishment in Mexico) and is **valid only for six months (until July 19, 2017)**.

WHY THIS MATTERS

Individuals who have Resources located outside of Mexico that have not been previously disclosed to the tax authorities can avail of the new rules to repatriate those Resources (not considering deductions) without the payment of penalties, inflationary adjustments, and interest surcharges.

Given the small window of opportunity (the provision is only valid through July 19, 2017), taxpayers and their tax service providers should consider acting with minimal delay.

The New Rules

The tax incentive consists of applying an 8-percent rate to the Resources held abroad up to December 31, 2016, that are returned to Mexico. The tax due should be paid within the following 15 days counted from the day the Resources are returned to Mexico.

It should be clarified that if the individual can prove that the corresponding tax in Mexico was already paid on the returned Resources, that the Resources were exempt from taxation in Mexico, or that they were not otherwise subject

© 2017 KPMG Cardenas Dosal, S.C. the Mexican member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159.

to Mexican income tax, said Resources can be returned to Mexico free of tax. Also, in case a tax has been paid in a foreign country on such Resources, a credit may be allowed (capped to the 8-percent tax due).

This benefit will not be applicable for those individuals who are under a tax audit or litigation (except for those who desist from their legal actions), nor is it applicable to income obtained from illegal activities.

Considerations on the Application of the Decree

There are certain requirements and limitations that individuals should adhere to in order to be eligible for the benefit:

- The return of Resources must be “maintained” in Mexico for at least two years counted from the date they were returned to Mexico.
- Said Resources are deemed returned to Mexico when they are:
 - deposited in or invested through a Mexican bank or Mexican brokerage institution, in financial instruments issued by residents in Mexico, or in shares issued by companies that are resident in Mexico;
 - used to acquire fixed assets, deductible per Mexican tax law, that can be used by individuals to perform their activities in Mexico and that are not sold for a two-year period counted from the date of acquisition;
 - spent to acquire land and buildings located in Mexico, used by individuals to perform their activities, and not sold for a two-year period counted from the date of acquisition;
 - invested directly and exclusively for the execution of certain of the taxpayer’s projects related to products, materials, or production processes for technology research and development.
- Individuals availing of the Decree will be required to do the following:
 - a) File a return through the tax authorities’ Web page, in which the amount of the Resources returned should be reported – consequently, the 8-percent tax can be calculated. A reference number will be provided to the individual to pay through his/her Mexican bank account Web page.
 - b) File an informative return to detail the destination of the Resources returned no later than December 31, 2017.
 - c) Keep for five years, as part of their accounting records, the following supporting documentation:
 - Documents that prove the Resources were received from abroad;
 - The tax payment made in Mexico under the Decree;
 - Proof of the deposits or investments made in Mexican territory per the above described; and
 - The return described in point “a”.

KPMG NOTE

It is expected that the Mexican tax authorities will be issuing regulations to further clarify the content of the Decree.

In addition, taxpayers should consider undertaking an analysis, on a case-by-case basis depending upon the investments and related income maintained outside Mexico, to help define what is the appropriate avenue of pursuit in light of the Decree.

FOOTNOTE:

1 For the text of: [Decree Granting Administrative Benefits on Income Tax Regarding Deposits and Investments Received in Mexico](#) (*Decreto que otorga facilidades administrativas en materia del impuesto sobre la renta relativas a depósitos o inversiones que se reciban en México*) published in Mexico's *Diario Oficial de la Federación* on January 18, 2017.

* * * * *

Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in Mexico:



Nora Solano

Partner

Tel. +52 55 5246 8355

solano.nora@kpmg.com.mx



Azucena Cortes

Director

Tel. +52 55 5246 8522

azucenacortes@kpmg.com.mx

The information contained in this newsletter was submitted by the KPMG International member firm in Mexico.

© 2017 KPMG Cardenas Dosal, S.C. the Mexican member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

www.kpmg.com

kpmg.com/socialmedia



The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.

© 2017 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159